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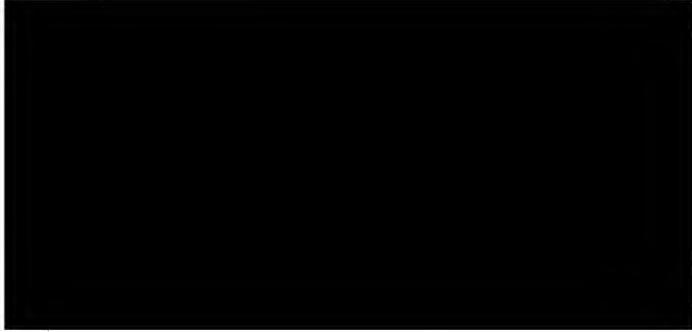
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February 15, 1952

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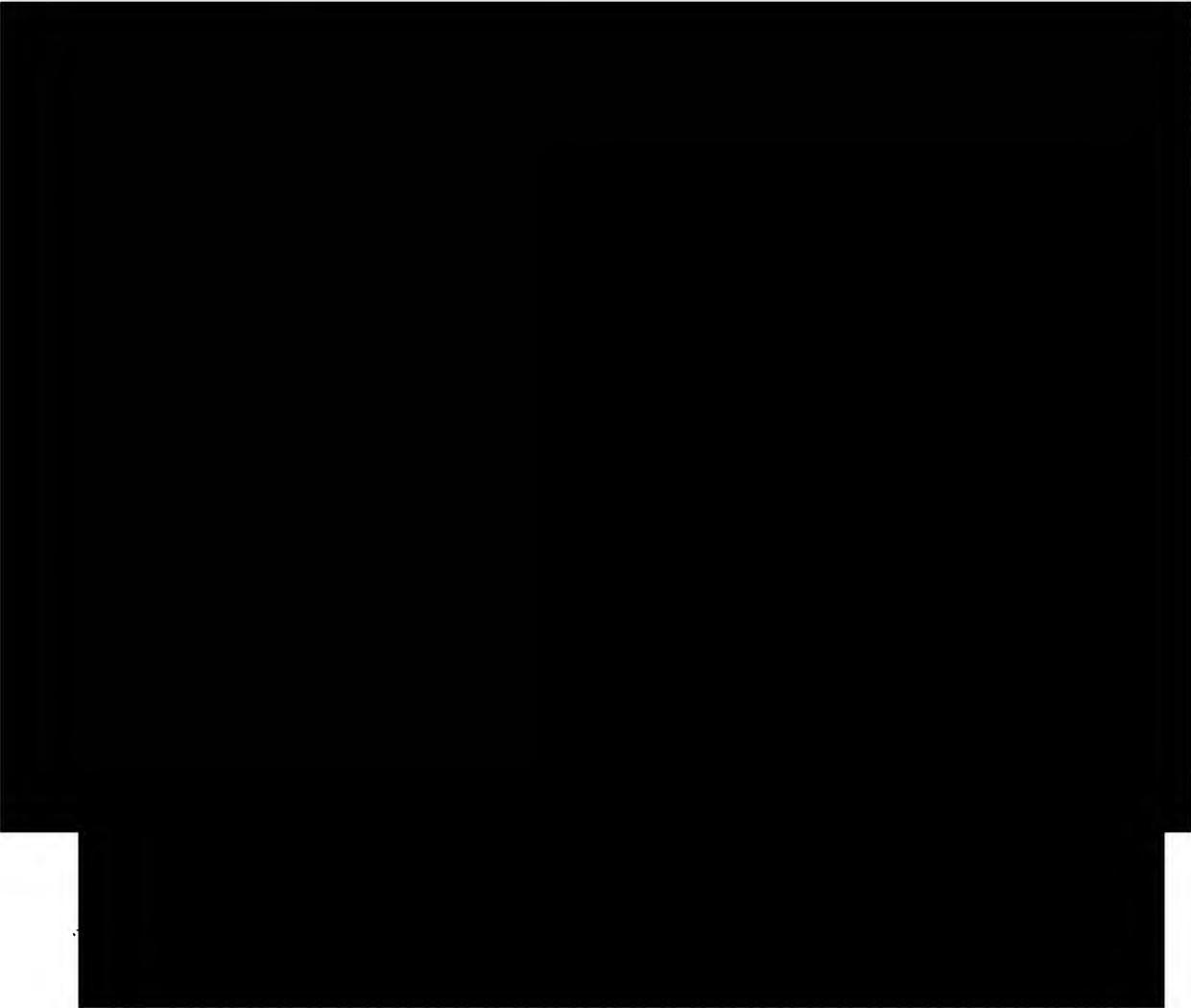
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SECTION I

PROBLEM

To prescribe specific courses of action for the reduction of communist power in Italy.

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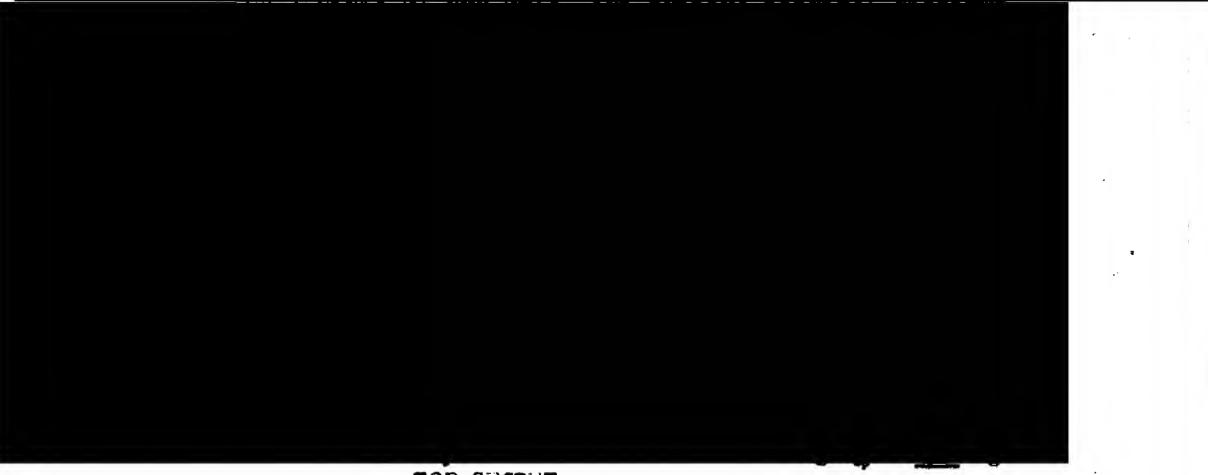
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SECTION II

APPLICABLE APPROVED POLICIES

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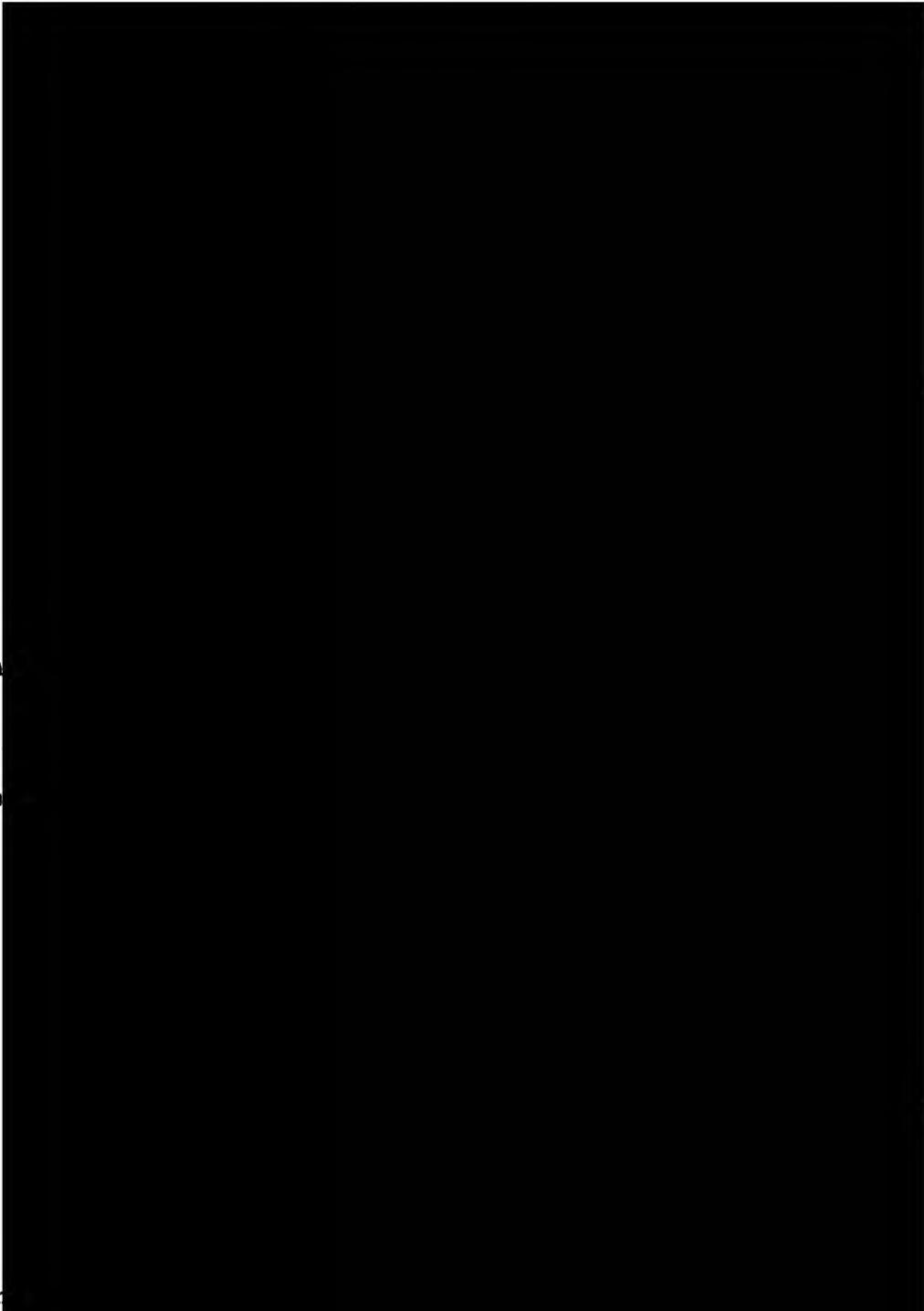
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SECTION III

SUMMARY AND ANALYSISThe Communist Position in ItalyStrategic Significance to the USSR

1. The Italian communist apparatus has strategic value as a dangerous fifth column in the event of war. In the absence of war it represents a harassing force aimed at reducing or nullifying the Italian contribution to NATO, influencing Italian opinion toward a neutral or pro-Soviet position, and hampering economic recovery. The Italian communist apparatus is thus a serious threat to vital U.S. interests in the Mediterranean and the Middle East.

Timing

2. The fact that national elections may be held in Italy in 1952, and are certain to be held not later than 1953, gives special significance to any currently projected action against Italian communism.

Strength

3. The PCI, together with its captive, the left-wing Nenni Socialist Party (PSI), constitutes the strongest communist bloc in any country of Western Europe, and its strength is almost equal to that of the governing Christian Democratic Party. The June 1951 local elections (in about two-thirds of the provinces of the country) indicated that the PCI and PSI were supported by about 34 percent of the electorate, as compared with 31 percent in the national elections of 1948; whereas the Christian Democratic strength declined from 48.5 percent in 1948 to about 38 percent in 1951 on a nationwide basis. Despite 1951 defeats in many key cities, the communist bloc continues to control a number of important municipal governments as well as a large number of smaller cities and villages. As a result of the 1948 national elections, it holds some 31 percent of the seats in the two houses of the national Parliament.

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4. Italian communism's greatest present source of strength is its control of the CGIL, Italy's largest trade union federation, and its consequent domination of Italian organized labor. The CGIL has about 3.5 million (it claims about 5 million) dues-paying members with an especially strong position in transportation and communications, public utilities, government arsenals, shipbuilding and most of the metal-fabricating industries; and among agricultural day laborers. This CGIL position gives the communists a strategic hold on the nation's economy; a vantage point for sabotage and spying; a chance to pose convincingly as the chief defenders of the working class; considerable indirect income from government and private industry sources in the form of salaries of trade union officials, subsidies, and rent-free use of government and municipal properties; and a means of exercising discipline over workers through control of Social Security boards, employment advisory boards, and factory councils.

5. Communist Party membership has declined from a peak of some 2.3 million in 1947-48 to an estimated 1.7 million, of whom perhaps 500,000 are militant. Membership strength is concentrated in the northern industrial cities and among farm workers in the Po Valley and north central Italy. The communists also dominate the cooperative movement which is important in the agricultural areas. The party is capably led by experienced militants and highly organized with emphasis on small local cells and contact with the individual. Party schools, front organizations, and vacation centers are all highly developed. Various service organizations for veterans, pensioners, orphans, etc., are highly organized and are officially recognized by government agencies.

6. Although some communists have been eliminated, PCI members still remain in many influential posts in the national administration and key industries. The party has a powerful and effective propaganda organization, and controls about a quarter of the newspaper circulation of Italy.

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Its paramilitary force, numbering about 50,000, has been allowed to deteriorate in terms of organization and readiness.

Sources of Strength

7. Italian communism found its opportunity for growth in the weakness of Italian society in the postwar period.

(a) Economically, this weakness has resulted in continuation of the long-standing economic distress of the mass of workers and peasants which contrasts sharply with the wealth of the small upper class. Destruction and defeat in World War II were followed by a serious postwar inflation which, until it was brought under control, heightened the distress and insecurity of the workers. The physical destruction during the war, a high rate of population increase, poverty of natural resources, and a monopoly-ridden industrial structure have all contributed to chronic unemployment (which has stood at or near 2,000,000 since 1948), underemployment, and, among the employed, to low productivity and low real wages. Among the 50 percent of Italians who work on the land, highly concentrated land ownership has fostered a large agricultural proletariat.

(b) Various political and social weaknesses have reinforced these economic difficulties. The lack of social consciousness among upper class elements has exacerbated class warfare in industry and agriculture, has slowed down the de Gasperi government's reform program (particularly in land redistribution), and has caused the government to rely heavily on police action in dealing with labor and agrarian discontent. The absence of a strong democratic parliamentary tradition; cultural backwardness and illiteracy, especially in the South; widespread cynicism toward government; a lack of citizenship responsibility; and traditions of violent political and social action prevailing in some areas, have increased the difficulties for the democratic parties. Although Italy's ex-enemy status impeded a return of national pride and confidence, stabilization of democratic

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government and increasing Italian participation in the community of free nations, especially the Atlantic Community, have greatly enhanced morale. The experience of wartime disaster and defeat has, however, left a widespread desire for peace and a reluctance to make economic sacrifices or take military risks, especially when these are regarded as competitive with social and economic improvements and reforms.

8. The Italian communists were quick to exploit these weaknesses in the immediate postwar era. By April 1946 they had captured the left wing Socialist Party, the CGIL, and the major part of the Italian cooperative movement and were thus established as masters of the Italian labor movement and chief advocates of the worker's cause. In this operation they were aided not only by their own tradition of party discipline and tactical skill, but also by the long-standing Italian tradition of class-conscious labor unity; by a skillful use of fear and intimidation techniques; by a lack of outstanding leadership in the Socialist Party; and by their prestige as leaders of the wartime Partisan movement.

Anti-Communist Action to Date

9. Since 1947 the government has taken important steps against communism and the sources of its strength in a number of fields. Communists have been excluded from the Cabinet and weeded out of the military and police forces, which have been strengthened into a force capable of dealing with any large-scale attempts at direct action. A large number of communist arms caches have been discovered and seized. The CGIL's formerly exclusive control over organized labor and over government employment offices has been broken, and the government has taken some steps in support of the non-communist unions. War-time damage has been repaired and industrial and agricultural production has been increased over pre-war levels. A slow but significant beginning, now accelerating, has been made in adopting and implementing laws for land reform, including land redistribution, and for tax reform.

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10. A number of developments outside the government have had an anti-communist bearing. Two non-communist trade union federations have emerged since 1947. The CISL (officially non-denominational and non-political but actually largely Catholic and closely related to the Christian Democrats) and the UIL (created by the moderate Democratic Socialist Party) have emerged to contest CGIL supremacy. But neither constitutes a formidable opponent. The Cucchi-Magnani defection from the PCI in 1951 raised the possibility of further nationalist deviationism. The democratic parties have gained experience in political activity, although they still do not match the communists in discipline or "agit-prop" capabilities. An anti-communist federation of cooperatives has been formed but is not yet a serious challenge to communist domination of the cooperative movement.

They are
not
comparable

Communist Capabilities

11. The communists command great influence and power and are doing Italy tremendous harm. Through the impact on public attitudes of their propaganda and the fact of their existing power, they are a major factor in preventing a real revival of Italian confidence; in discrediting the government's policies and narrowing its field of political maneuver; in hindering the development of a democratic parliamentary tradition; in impeding economic recovery, enterprise, investment, and repatriation of capital; in maximizing popular discontent on socio-economic and "peace" issues; and in preventing the emergence of a democratic political and social force effectively representing the worker's interests. The maximum capability of the PCI-PSI bloc in a 1952 national election is estimated at between 35 and 40 percent, raising a serious possibility that communists will get more votes in the next election than the Christian Democrats, though not more than all the democratic parties.

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12. In terms of immediate capabilities, the communists are now capitalizing on the rise in prices, the lag in wages, and the strain on the Italian economy resulting from the defense program. Thus, although unable to launch widespread political strikes, the communists still command the voting support of a large segment of the working class. In recent months many non-communist unions have been forced to enter into united action with the CGIL unions or risk the danger of losing their supporters. The widespread disillusion of Italian workers with the government, with their employers, and even with their own trade unions is potentially very dangerous, for it is susceptible to easy exploitation by a disciplined and purposeful communist movement. The possibility of serious and large-scale disorders in Italy which could be put down only by major military and police action cannot be ruled out.

13. Under war-time conditions the communists could constitute a serious threat to the security of Italy.

Vulnerabilities

14. PCI members remaining in influential posts in government and the national economy are subject to removal by government and private-industry action. The PCI's propaganda-and-agitation apparatus and its capabilities for sabotage are vulnerable to government administrative and legislative action.

15. CGIL domination over the trade-union movement is vulnerable to new legislation and to changes in government and industry practices attacking the CGIL's right to pose as a bona fide trade-union organization and hence its dominant position in wage bargaining, its control of labor-employment advisory boards, and the basis of its financial support. The most important actions that could be taken to reduce communist power in Italy would be for the government to give positive support to the democratic unions in their struggle against communist domination of organized labor, to stop subsidizing the communist unions and stop dealing with them, and to work towards a more equitable share of the national income for labor. Concurrent development of a united anti-communist trade-union movement, without ties to any political party, is of equal importance in reducing the power of the CGIL.

Meanwhile, non-competitive development of CISL and UIL, development of aggressive CISL organizing and propaganda campaigns to attract the one-half of the labor force not now organized in any union, as well as some now in CGIL; and a more favorable management attitude toward non-communist labor would all strike major blows at the CGIL's power. These blows would be even stronger if the CISL and UIL were to merge. Strengthening of the democratic cooperative movement would effectively challenge the communists in this field as well.

16. A number of vulnerabilities exist in the sphere of ideology and public attitudes. The anti-national, foreign-dominated character of the communist movement and its totalitarian implications in a country with a fresh memory of Fascism expose it to propaganda attack and to the possibilities of a revolt by the majority Socialist rank and file against the captive leadership of Nenni, and further nationalist deviations of the Cucchi-Magnani type. Continued action such as the build-up of NATO defense forces, progress toward European unity, and the strengthening of the Atlantic Community will help to reduce communist influence by stimulating popular confidence. Individualistic conservative traditions of most of the agricultural population impede consolidation of communist influence in the agricultural communities.

17. Fullest exploitation of the above vulnerabilities can be obtained if basic improvement is begun concurrently in productivity, wages, and labor-management relations. Such a program, if it can be launched with broad labor and industrialist support, would strike at workers' grievances, thus reducing the force of the communist appeal and seriously embarrassing the communists if, as their propaganda already indicates, they elect to oppose it as they did the Marshall Plan.

Limiting Factors

18. The prospects for success in exploiting many of the above vulnerabilities are limited by democratic organizations' lack of funds and

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by the heavy tactical dependence of the de Gasperi government on influential groups, many of them right-wing, to which it owes much for its electoral victory of 1948. Faced at every turn with the necessity of adjusting differences through the vehicles of compromise, the government cannot politically ignore the real or imagined injury to vested interests which many such groups would see in the courses of action mentioned above.

19. Some specifically anti-communist steps would disturb certain industrial elements which find it profitable to maintain a modus vivendi with CGIL trade unions. Efforts to consolidate and develop the free trade unions and cooperative movements would arouse opposition from various producer interests whose typical attitude toward organized labor is one of general hostility. Finally, basic social and economic improvement programs would inevitably meet with opposition from many industrial and agricultural groups which have long felt, rightly or wrongly, that they have most to lose by reform.

20. These considerations all point to a sensitive relationship between the vigor and pace of all types of actions that may be taken to reduce Italian communism, and the stability of a moderate Italian regime. While radical actions would endanger certain vested interests supporting the present government, the United States must consistently support social and economic reforms which are essential to the development of a stable Italy. It is equally essential that the details of such measures and programs should be of Italian conception and execution.

21. In pursuing measures directed toward basic social and economic reform we must likewise bear in mind the possible long-range impact of such measures on the trend of Italian foreign policy. If success in reform should lead to a shift of the balance of political power in Italy in favor of leftist elements, Italy's identification with the West in international affairs may be much less dependable than that of the present government.

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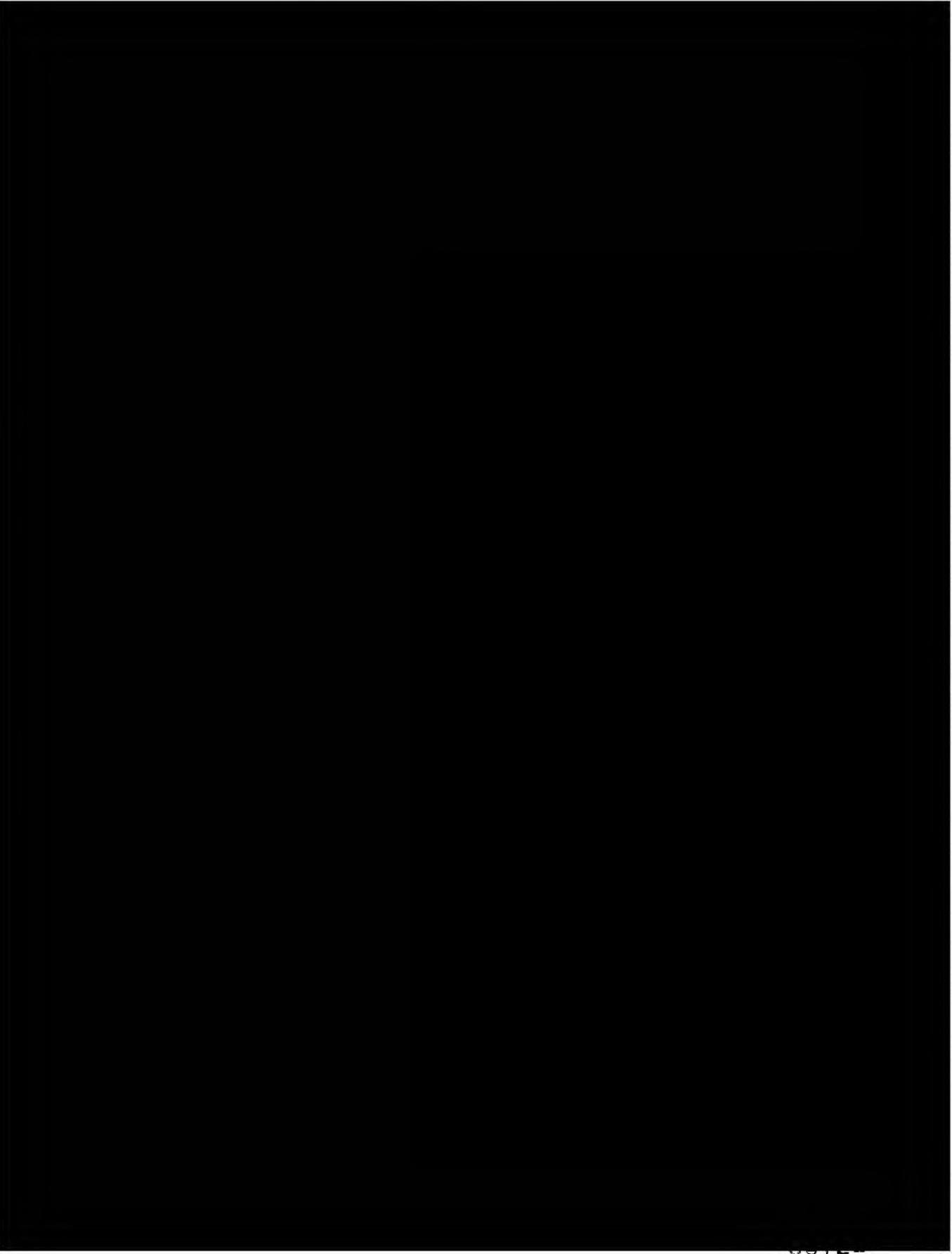
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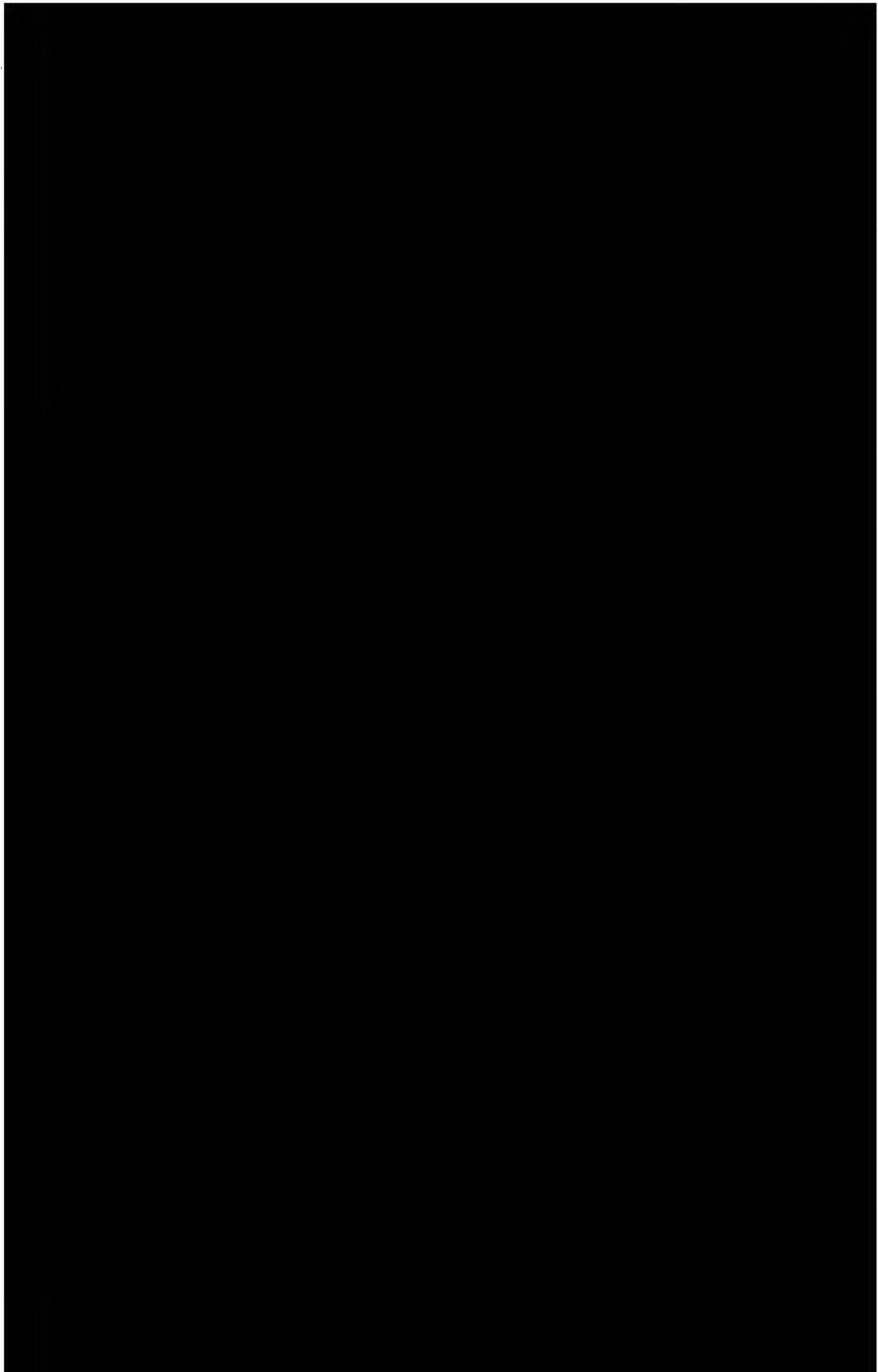
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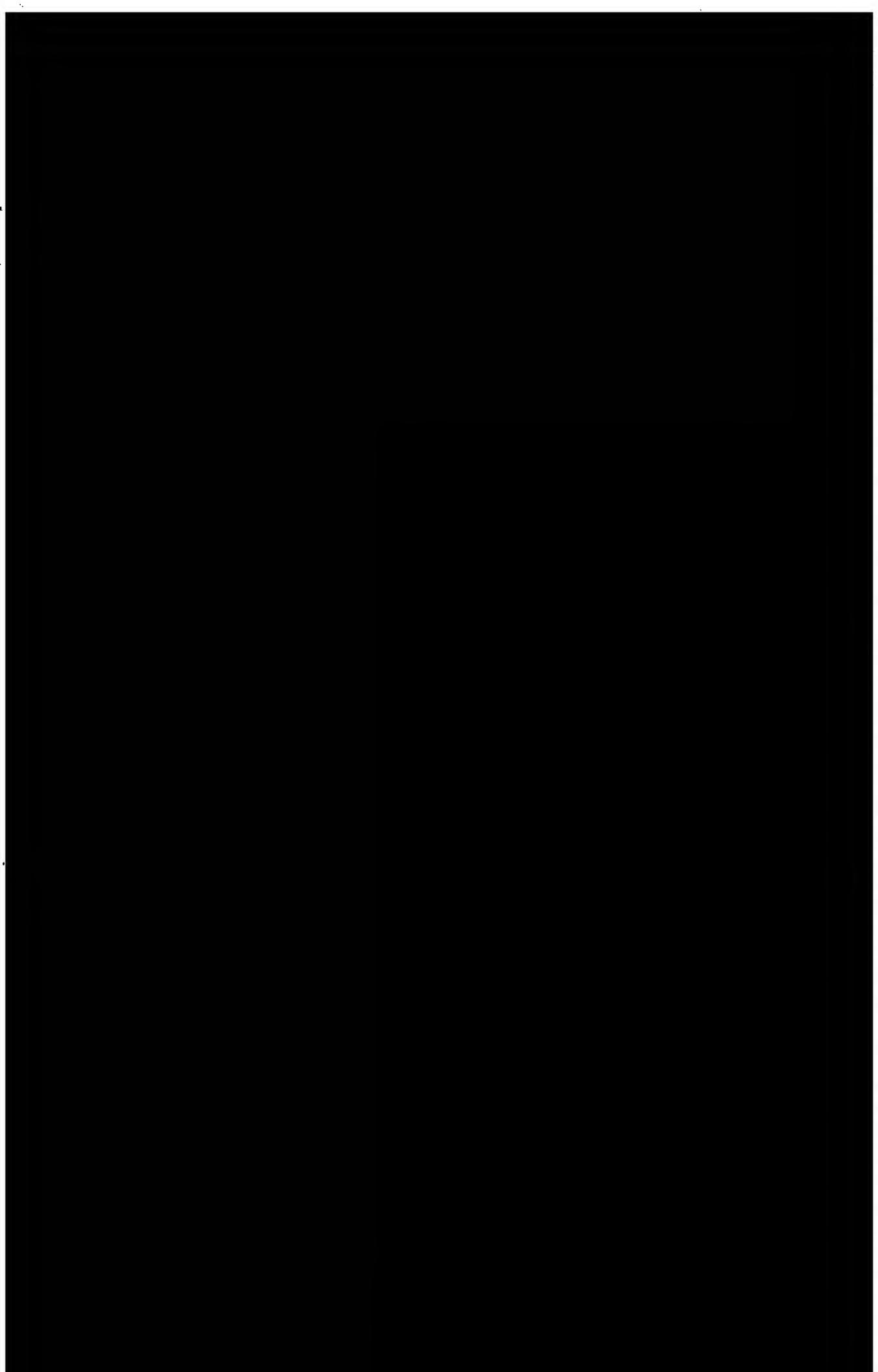
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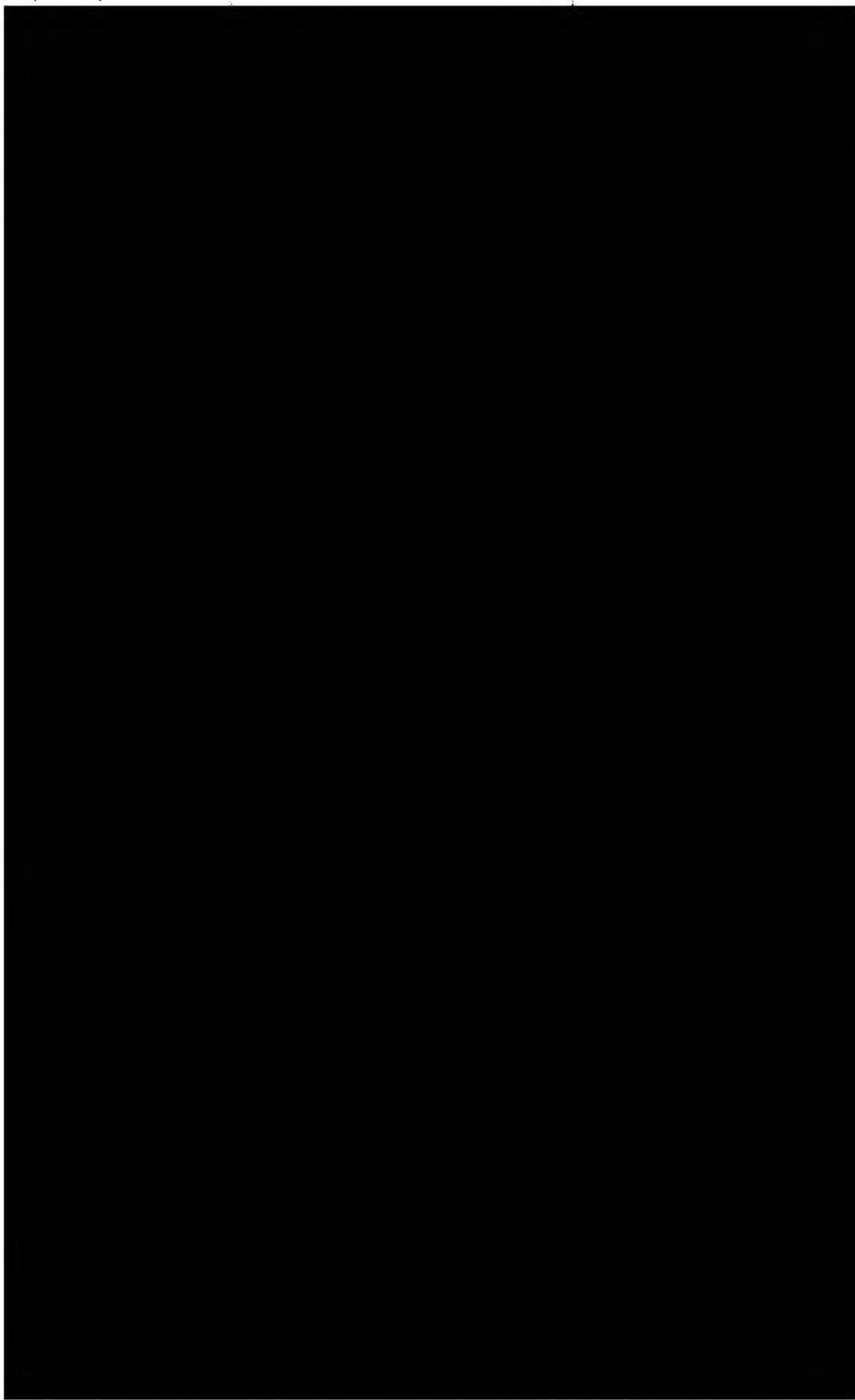
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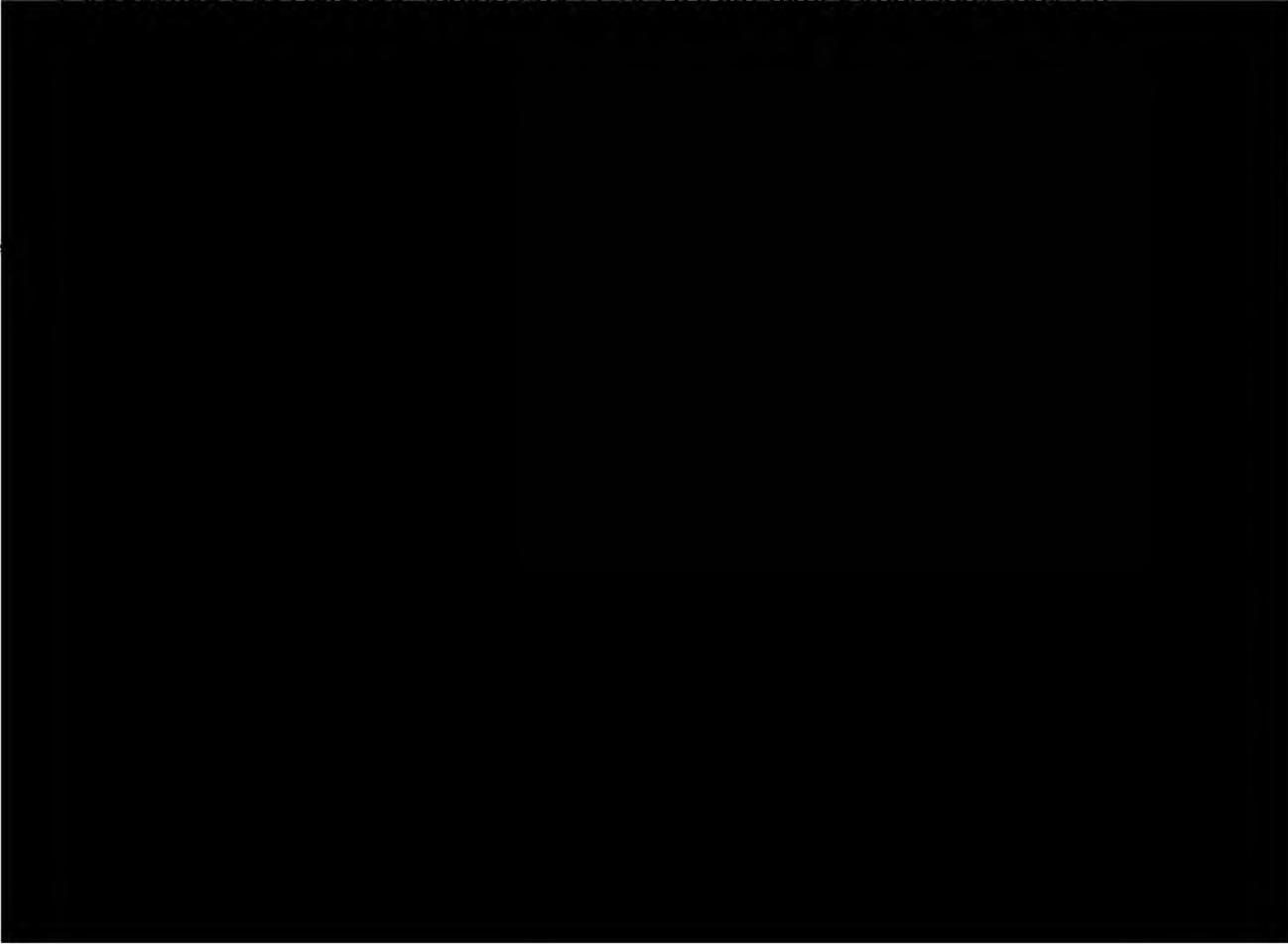
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